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NATIONAL INTELLIGENCE DAILY CABLE

Friday 9 December 1977 CG NIDC 77/285C



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National Intelligence Daily Cable for Friday, 9 December 1977.

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The NID Cable is for the purpose of informing senior US officials.

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United Kingdom
USSR

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PORTUGAL: Prime Minister Sought

25X1 [] *The collapse yesterday of Portugal's minority Socialist government leaves President Eanes with the difficult task of choosing someone to become prime minister. In making his selection, Eanes will try to find a candidate who is supported, or at least not resisted, by the Socialists, Social Democrats, and Center Democrats--the country's three largest parties. Any of the current party heads except the Communists' Cunhal could be picked, but Eanes may well decide on a relatively unknown "independent" candidate. Until a new government is appointed, Prime Minister Soares will govern in a caretaker capacity.*

25X1 [] Eanes accepted Soares' resignation yesterday after the Socialists lost a vote of confidence. The constitution does not give the President a deadline for making his choice but indicates that he should first consult with the Revolutionary Council and the political parties, taking account of the parties' parliamentary strengths.

25X1 [] The politically charged atmosphere in parliament will make it difficult for Eanes to find an acceptable candidate among party leaders. Soares' opponents accused him of being indecisive and resented his stalling tactics and unwillingness to compromise. Intense personal antipathy has developed between the Socialists and the ambitious Social Democratic leader, Francisco Sa Carneiro.

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[] Only Center Democratic leader Diogo Freitas do Amaral seems to command the respect of all three parties. His party is small and conservative, however, and would have trouble governing if serious new partisan differences developed later on.

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[] Consultations could go on for a couple of weeks or so, but Eanes apparently is trying to speed the process along. Among other things, he doubtless wants a new government in place so that talks with the International Monetary Fund and other foreign lenders can be resumed. []

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TURKEY: Municipal Elections

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[] *//Turkey's municipal elections on Sunday may provide a critical test of the cohesion of Prime Minister Demirel's Justice Party.*

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[] Local issues and personalities are usually the decisive factors in Turkey's municipal elections, but the vote is nevertheless viewed by most politicians as indicative of popular attitudes on national policies. The Justice Party and its coalition allies--Necmettin Erbakan's National Salvation Party and the National Action Party of Alpaslan Turkes--will be looking in particular for indications of the public reaction to the recent devaluation of the lira and other austerity measures implemented under pressure from the International Monetary Fund. The vote may further be seen as a popular judgment on the government's ability to control political violence.

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[] The parties will also be viewing the elections with an eye to their impact on intra-coalition power relations. Deputy Prime Minister Erbakan of the Salvation Party continues to be a problem for Demirel, seeking to wrest every conceivable concession from the Prime Minister in return for parliamentary support of the government.

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[redacted] Partly because of pressure from Erbakan, Demirel has been impeded in his efforts to negotiate usefully on the Cyprus issue and on the Greek-Turkish dispute over the Aegean. Erbakan's intransigence on economic issues has complicated the IMF negotiations as well. The fact that Erbakan lost considerable support in the June general election has probably added to his determination to play the role of defender of the Turkish homeland in hopes of enhancing his popularity.

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[redacted] //Demirel will be following the returns closely for signs of Salvationist vulnerability that he might be able to play upon to tone down his obstreperous partner and mute criticism from Justice Party deputies. Many of the latter are frustrated by Erbakan's apparent ability to hamstring the government almost at will and by his success in filling bureaucratic positions with his own party's stalwarts.//

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[redacted] //Opposition leader Ecevit may have difficulty exploiting Demirel's troubles. His failure to form a government in June despite his plurality in the general election led to harsh criticism among his Republican People's Party followers. The party is split into ideological camps, with a leftist minority sniping at the moderate progressives around Ecevit. This internecine quarreling resulted in bitter primary battles in some key cities that could have a negative impact on the party's performance Sunday.//

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[redacted] //Ecevit appears convinced that his party will widen its lead over the Justice Party by 3 to 5 percent. He believes this will be enough to cause Justice Party dissidents to defect and bring down Demirel's administration. [redacted]

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[] Justice Party leaders, while not overly optimistic, do not envisage a defeat of the magnitude anticipated by Ecevit. Demirel discounts reports of possible defectors and seems confident that his party can hold its own at the polls.

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[] In our view, Ecevit's optimism is probably unwarranted. Although he does seem likely to gain in the elections, he would probably need a striking victory to induce Justice Party deputies to abandon Demirel. Barring such a success for Ecevit's party, the elections may serve only to confuse further an already muddled political situation. []

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USSR - US - MIDDLE EAST: Comments

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[] *Comments in Soviet media yesterday on developments in the Middle East indicate considerable unease over Secretary of State Vance's visit to the area.*

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[] A TASS statement in English complained of "definite circles" in the US administration "set on pressuring" Arab states to support both the meeting in Cairo and direct contacts between Egypt and Israel. The statement attacked Secretary Vance's remarks at his press conference Tuesday; it said that his placing greater emphasis on the session in Cairo than on a reconvening of the Geneva Middle East conference was a "direct contradiction" of the Soviet-US joint statement of 1 October. The Soviets continue to be concerned that they may not play a significant role in the Middle East negotiating process.

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[] Both a Radio Moscow commentary in Arabic and the TASS statement noted the Egyptians' order closing consulates and cultural centers of the USSR and its close allies. The Radio Moscow language was the more vehement; it asserted that the action was "another link in the chain of political steps" by Cairo to undermine Soviet-Egyptian relations.

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[] Radio Moscow did not mention Egyptian President Sadat, and TASS referred to him only matter-of-factly. The contrast between this treatment and the virulence of earlier Soviet media pieces may indicate that the Soviets want to prevent a further deterioration of relations. []

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ARGENTINA-CHILE: Beagle Channel

25X1 [redacted] //Argentina's demarche to Chile demanding assurances that the Atlantic Territorial waters off the southern tip of South America belong to Argentina is the latest move in a diplomatic strategy aimed at protecting Argentine interests before the International Court's arbitration decision becomes final on 2 February. [redacted]

[redacted] relations between the two nations are outwardly cordial and likely to remain so.//

25X1 [redacted] //At issue is not the disposition of the three small, Chilean-occupied islands--which have little value--but how the decision formally awarding them to Chile will affect Argentina's maritime rights outside the Beagle Channel, a question not addressed by the International Court.//

25X1 [redacted] //Argentine officials fear that Chile will try to use the decision to justify an extension of its maritime jurisdiction into the Atlantic. This potential threat was substantiated when the Chilean Foreign Ministry published maps projecting Chilean territorial claims 200 miles outward from the Beagle Channel islands. If the Chileans acted on such claims a major confrontation could ensue; the region is believed to be rich in cobalt, copper, petroleum, and marine resources. Such action would also have an impact on Chilean and Argentine overlapping claims to Antarctic territories.//

25X1 [redacted] //Efforts by both nations to resolve recent alleged territorial violations in the area have been unsuccessful. The Chileans are concerned that Argentina will try to occupy some islets south of the channel to reinforce its claim to control of the Atlantic side of Cape Horn.//

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[] //Within the Argentine junta, the most vociferous critic of the arbitral award is Navy Commander in Chief Admiral Massera, a political opportunist who has recently sought to advance his own fortunes by appealing to ultranationalist sentiment on a variety of issues. Vowing to defend Argentina from "geographical mutilation," the bellicose Massera has placed naval forces on alert in the South Atlantic.//

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[] //Other members of the junta have been publicly silent on the issue. The chief of the Army General Staff, General Viola, was moderate in a press conference last week. He said that it is in the interest of the Argentine Government to maintain the strengthened cordial relations with Chile.//

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[] //While an invasion of islands in the Beagle Channel area by the Argentine Navy cannot be ruled out, we have no evidence that such an adventure would have the support of President Videla. The Chileans, however, have begun to watch Argentine troop movements in the southern border area more closely although they have made no move to reinforce the islands.//

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[] //There is no indication that the Argentine leaders have agreed on how to resolve the dispute if Chile does not respond positively to the recent demarche. Chile, however, may not push too hard on the issue, out of fear that Argentina would support Peru in any border showdown with Chile. Argentina has in fact already made some gestures in this direction, presumably as a subtle warning to the Chileans.//

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[] //Each country can be expected to maintain firm diplomatic and military pressure on the other, and small-scale border incidents are possible, but neither is likely to allow the channel issue to lead to major fighting. []

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MAURITANIA: Rail Line Reopens

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[] *Mauritania resumed iron ore shipments on Tuesday along the vital rail line between the mining center of Zouerat and the port of Nouadhibou. The line had been closed as a result of attacks by Algerian-backed Polisario Front guerrillas*

in late October. The Mauritaniens depend on iron ore exports for some 85 percent of their foreign exchange earnings. Although they had a two-month stockpile of ore at Nouadhibou as a buffer against guerrilla harassment of the line, this reserve would have been exhausted this week.

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[] The recent arrival of additional Moroccan troops in Mauritania has enabled the Mauritaniens to deploy more of their forces along the railroad. It is doubtful, however, that they will be able to prevent new Polisario attacks. Mauritanian military officers have admitted to US officials that their intelligence-gathering abilities are weak and that many nomads in the area are cooperating with the guerrillas.

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[] Mauritanian mining officials fear that additional Polisario attacks against the trains, and especially the seizure of more French workers as hostages, could result in the departure of much-needed French technical and managerial expertise.

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[] //An unattributed Algiers radio broadcast, meanwhile, has alleged that a French Jaguar fighter aircraft fired on Polisario guerrillas in Mauritania. The guerrillas reportedly damaged the aircraft, forcing it to land at an unspecified Mauritanian base. French aircraft based in Dakar, Senegal, are flying missions over Mauritania, but other information indicates they are unarmed reconnaissance flights.// []

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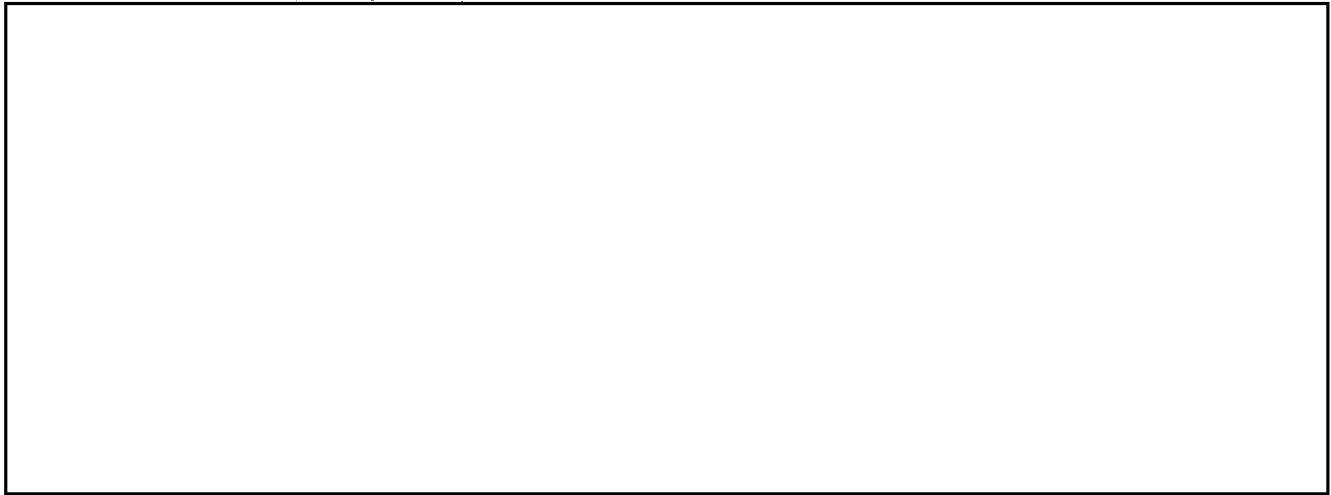
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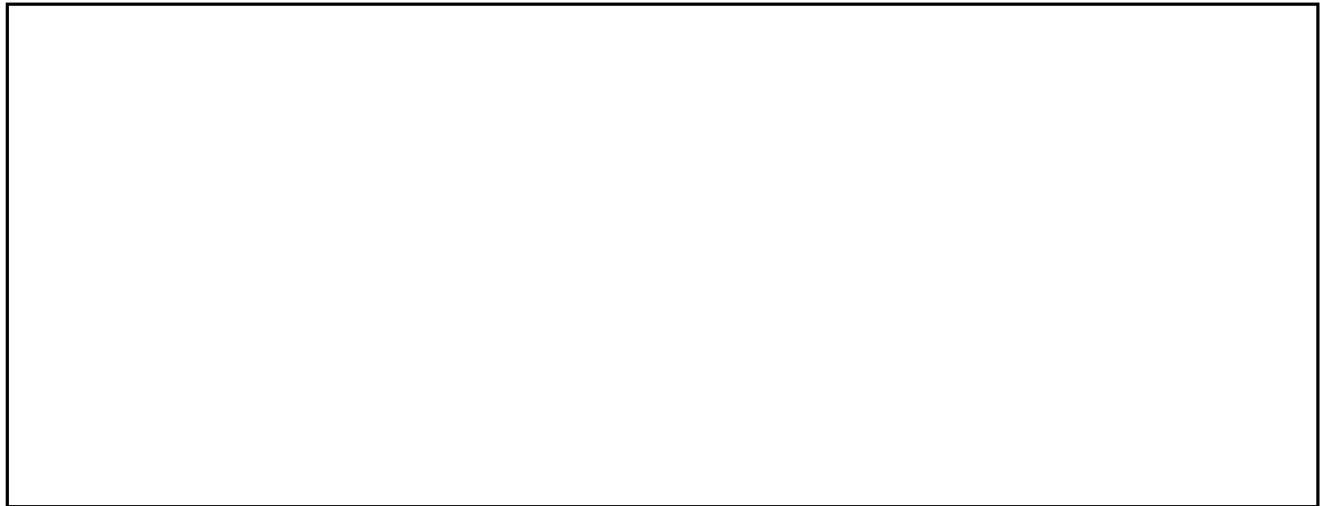
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BRIEFS

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United Kingdom

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[REDACTED] // Prime Minister Callaghan's wage policy received a major boost yesterday when moderate leaders of the coal miners' union accepted the government's rule calling for 12 months between pay increases. They also voted to permit local unions to pursue productivity incentive schemes that had been turned down earlier by the national union. //

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25X1 [] //The victory is only partial, however; union militants are likely to challenge the decision, and the demand for a 90-percent pay increase during the next contract period remains unresolved. The militants have vowed to fight on both questions. The future of the government's wage policy could hinge on the outcome of negotiations with the miners, because other unions will take their cue from the final settlement.//

25X1 [] //The government's hand has been strengthened in recent weeks by a lack of popular sympathy for excessive wage demands. The miners, and the striking fireman as well, have received little support from fellow unions or from the powerful national Trades Union Congress, which has been reluctant to fight government policy. []

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USSR

25X1 [] The latest issue of *Izvestia's* weekly feature magazine has elaborated on earlier "exposes" of the alleged activity of US diplomats among Soviet dissidents. The magazine named two former embassy officers as having been the most active in this regard.

25X1 [] Petr Grigorenko, a leading dissident and former general, was portrayed as having played the most important role in maintaining contact between other dissidents and the West. Others named were dissident Lyudmila Alekseyeva, who has since emigrated, and Vladimir Slepak.

25X1 [] The magazine article was clearly designed to keep alive the accusations of espionage activity that have been levied against US diplomats periodically since the spring of this year. The article's chief targets, however, seem to be Soviet dissidents. The focus on Grigorenko, who recently arrived in the US for a six-month visit, may be part of an effort to discredit in advance any public statements he might make and could even be the first sign that Moscow will bar his return.

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